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SUBJECT: Ghana - Economic Round-up

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11. (U) Summary: this cable provides a summary of notable developments in the economic sector in December 2007 and January 2008:

- December 2007 Inflation Rose to 12.7%;
- Central Bank Reprieve on Raising Banks' Capital Base;
- GoG to Give Cash Out to the Poor;
- Update on Telecom Privatization;
- Credit Reference Bureau to Begin Operation;
- Central Bank Begins Sensitization on National Switch and Smart Card Payment System.

End Summary.

December 2007 Inflation Rose to 12.7%

12. (U) Inflation rose to 12.7 percent in December 2007 from 11.4 percent in November 2007. This is the third consecutive increase after declining to 10.2 percent in September. According to the Statistical Service, higher consumer demand for food and non-food items during the Christmas season, increase in utility tariffs, and increasing price of petroleum products are major items driving prices upward. Inflation may continue to climb upwards until June when the harvesting period begins.

Central Bank Reprieve on Raising
Banks' Capital Base

13. (U) According to the Deputy Governor of the Bank of Ghana, the January 2009 deadline for the increase in the minimum capital base of banks in Ghana will be extended by a "couple of years" for existing banks. The BoG made this decision after consultation with the banks, which asked for more time to meet the new requirement. New banks will, however, be required to meet the new higher capital requirement. The BoG has proposed an increase from the current requirement of 7 million Ghana cedis (about USD 7.4 million) to 50 to 60 million Ghana cedis.

GoG to Give Cash Out to the Poor

14. (U) The GoG, under a social protection program called the Livelihood Against Poverty (LEAP), will this year begin to give between 8.00 GH cedis (USD 8.33) to 16.00 GH cedis (USD 16.67) a month to 15,000 extremely poor households in Ghana. The implementation of the program in an election year has raised questions about the motives of the government but the minority political parties are being cautious in their comments out of concern about being labeled anti-poor.

15. (U) The GoG expects to spend 2 million GH cedis (USD 2.08 million) on the project in 2008 and 26 million Ghana cedis (USD 27.08 million) on the entire project when it ends in 2012. According to the National Coordinator of the program, DFID and UNICEF supported the development of the strategy.

Update on Telecom Privatization

¶16. (U) The Westel deal is essentially done. CelTel made a \$115 m payment (out of a \$120m price tag) in late December. The deal gives them a 75% stake but after 3 years 5% of that will be floated on the stock exchange.

¶17. (U) The Ghana Telecom deal is still pending. Per the Chief Director at Min Communications, the three short-listed bidders did not offer acceptable prices to the government. They have been told they can revise their offers and Portugal telecom is apparently doing so. The government has also said it will look at offers from any other interested bidder.

Credit Reference Bureau

¶18. (U) The Bank of Ghana will soon license the first two private credit reference bureaus (CRB) in the country. The Credit Reporting law passed in 2007 allows the Bank of Ghana to establish public CRB and also authorizes the BoG to license private CRBs. The requirements for establishing a CRB in Ghana include a minimum paid up capital of 500,000 Ghana cedis (USD 521,000), licensing fee of 3,000 Ghana cedis (USD 3125), processing fee of 2,000 (USD 2083) Ghana cedis, and annual renewable license fee of 1,000 Ghana cedis (USD 1042).

Central Bank Begins Sensitization on National Switch and Smart Card Payment System

¶19. (U) The Bank of Ghana has begun a national campaign to sensitize

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Ghanaians on a national switch and smart card payment system that will be established in June 2008. The \$20 million National Switch and Smart Card Payment System, branded EZWICH, is being financed by the Bank of Ghana and banks in Ghana. The switch is expected to provide a common payment platform for all banks in Ghana, attract the 80 percent of Ghanaians who are currently unbanked into the banking system and jumpstart the use of electronic payment systems. The system will work both online and offline, so can be deployed without power or telecommunications services.

¶110. (U) Using its successful cedi redenomination campaign as a model, the BoG is running ads on radio and TV to educate and encourage acceptance of this new mode of payment and banking. The Secretary of BoG, however, admits that this campaign presents a

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bigger challenge than cedi redenomination as acceptance requires behavioral change and understanding of new technology among the educated and uneducated populations. The security of the system must also be explained clearly and implemented well.

¶111. (U) The BoG has directed all banks to link their existing ATMs and point-of-sale devices to the national switch by June 30, 2008; a pilot with three banks will begin in April. All banks in Ghana are also expected to issue biometric smartcards to customers and ensure that all new switches, ATMs, point of sale (POS) cards or mobile phone payment products are EZWICH compliant. Net 1 UEPS Technologies of South Africa is supplying and installing the switch and will supply biometric smart cards to banks. According to BoG, the supply of cards, switches and the provision of mobile payment systems and other services is open to other providers provided the product is compatible with the UEPS technology.

¶112. (U) Comment: Ghana is generally a cash-based economy with just a handful of people using ATMs. Although Visa-branded debit ATM cards can be used for payment at some shops, they are rarely used. Widespread acceptance will probably take time, especially in rural areas. In urban areas, uptake could be fairly rapid if the system is rolled out without major security or other glitches and POS equipment is affordable for vendors. End comment

